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Report Highlights:

NAC divided over food subsidy, United over grains, *Confectionary and bread makers may double wheat imports*, *Challenges in grain storage*, *Basmati exports to challenge European testing lab for biased reporting*, *Government likely to withdraw export incentives for seafood sector*, *Poultry farms introduce branded products*, *12.5 million tons oilseeds yet to be crushed*, *Sugar mills renew demand for higher ethanol price*, *Government proposal to regulate retail sector*, *Coffee Board estimates record crop next season*, *Café Coffee Day considering further expansion*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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NAC DIVIDED OVER FOOD SUBSIDY, UNITED OVER GRAINS

The National Advisory Council, headed by Sonia Gandhi, met on July 1 to discuss the proposed Food Security Bill. While there was a consensus on providing food security to the poor by allotting 35 kg of foodgrains at Rs. 3 per kg to each family (against the government's proposal for 25 kg), there have been differences on how to implement the scheme. Prof. Swaminathan and others have argued for universalization starting with 150 poor districts. However, some members felt that universalization would be difficult given the procurement challenges and the cost of the high subsidy. While the NAC deliberated on whether the food subsidy should be extended to families below poverty line, no decision could be taken on their numbers. (Source: Hindustan Times, 07/2/2010 Hindustan Times)

CONFECTIONARY AND BREAD MAKERS MAY DOUBLE WHEAT IMPORTS

Bread and cookie makers may double imports from Australia and Ukraine as they look for cheaper supplies from overseas. A senior member of the Roller Flour Millers Federation of India said that mills may import as much as 300 thousand ton in Indian fiscal year 2010/11 (April/March) compared to 158 thousand ton last year. Premium quality Australian wheat will make up for most of the purchase. While the government has announced its decision to sell 5 million tons of wheat stocks in the open market, millers in the south may not benefit much as the government wheat is more expensive than imported wheat in south India. (Source: Financial Express, 06/29/2010 Financial Express)

CHALLENGES IN GRAIN STORAGE

The government's efforts to augment foodgrain storage facility across the country to prevent wastage has failed to make any significant headway as the three agencies tasked with the job, Department of Agriculture and Cooperation, Department of Consumer Affairs, Food and Public Distribution, and National Cooperative Development Council, have faltered badly. A few years back, the Planning Commission estimated a gap of 35 million ton storage space and recommended bridging the deficit by 2011/12. With less than two years left, only half of the target additional capacity could be created till now. With the government failing in its task to build enough godowns and storage spaces, its efforts to procure and store foodgrains have been badly impacted, specially in the states of Uttar Pradesh and Bihar. (Source: Economic Times, 06/25/2010 Economic Times)

BASMATI EXPORTS TO CHALLENGE EUROPEAN TESTING LAB FOR BIASED REPORTING

India's Basmati exporters are ready to serve a legal notice against Hamburg based testing firm, Eurofin, for its recent report suggesting Indian basmati rice has higher level of carbedenzum and isoprothiolone. The Ministry of Commerce is also ready to take up this issue with the European Commission. The government and the local industry believe that this is a deliberate and willful attempt to disadvantage Indian basmati rice. India sells about 290,000 tons of basmati rice worth $350 million to European Union every year. (Economic Times, o6/30/2010 Economic Times)

GOVERNMENT LIKELY TO WITHDRAW EXPORT INCENTIVES FOR SEAFOOD SECTOR

The Indian Government may withdraw export incentives to the seafood products industry. The Ministry of Commerce has chalked out a plan to either withdraw the benefits fully or reduce these in phases. The Ministry proposes to withdraw these benefits for the sectors which performed well in 2009-10. Seafood products exports crossed $2 billion registering a growth of 10.08 percent (over 2008-09) in volume terms in the year 2009-10. The industry enjoys a benefit 5 per cent entitlement rate for shipment under the duty drawback scheme as an incentive under the Vishesh Krishi and Gram Udyog Yojana (VKGUY). The industry also gets a benefit of 8 per cent on the total value of exports under the Duty Entitlement Passbook Scheme (DEPB). The industry believes that withdrawal of incentives would lead to serious crisis in the fishing sector. (Source: Business Standard, 07/02/2010 Business Standard)

POULTRY FARMS INTRODUCE BRANDED PRODUCTS

Indian households can soon buy custom-made eggs for children, diabetic husband, weak hearted father, pregnant wife, and so on. A slew of poultry farmers such as Vangili Feeds, Suguna Group and SKM Eggs are now offering branded, value-added eggs at a premium to woo an increasingly health-conscious urban population. Branded eggs are mostly rich in protein, contain less fat and, in some cases, have herbal features and are odorless. Farmers believe it will soon become a big thing in the food and beverage market, although it constitutes only a small fraction of the country's egg market. Indian consumes 3.6 billion eggs every month, the branded eggs constitutes only around 6 million eggs. The branded egg segment is catching up fast in metro cities such as New Delhi, Mumbai, Bangalore, Kolkata, and is growing annually at a rate of 20 per cent. While Suguna, SKM and Keggs are three big players in this segment, handful of local players are also present in the country catering to their regional needs. (Source: Economic Times, 06/29/2010 Economic Times)

12.5 MILLION TONS OILSEEDS YET TO BE CRUSHED

Even as sowing for the kharif season has begun, there is still about 12.5 million tons (mt) of oilseeds (3.5 mt soybean, 4.5 mt rapeseed, 1 mt peanuts, 2.5 mt cottonseed and 1 mt other marketable oilseeds) from last year's crop lying uncrushed, which the domestic industry finds unviable to crush which is likely to impact prices of the new crop that would be harvested from October-November 2010. The negative crushing margins faced by the industry has been due to a combination of very high oilseed prices during the last harvest and continuing import of cheap duty-free edible oil, which consequently led to closure of most oilseeds and rice bran processing factories. The Solvent Extractors Association of India said in a representation to the Union Finance, Commerce and Agriculture Ministers for raising the import duty on crude oil from zero to at least 10 percent and from 7.5 percent to minimum of 17.5 percent for refined oils to offset various taxes paid by local processors. (Source: Business Line, 06/29/10 Business Line)

SUGAR MILLS RENEW DEMAND FOR HIGHER ETHANOL PRICE

The latest hike in petrol prices has emboldened sugar millers to renew their demand for Rs 27-a-liter rate on the ethanol supplied to oil marketing companies under the 5 percent ethanol blending program. The current retail price of Rs 51.43 a liter for petrol in Delhi, after deducting Central/State taxes and dealers' commission, translates into a refinery-gate realization of around Rs 25.80 which is close to the price demanded from sugar millers. Transporting ethanol from mill to oil depot would roughly cost Rs 32.5 at the point of blending. As against this, 'pure' petrol (with nil ethanol content) costs oil companies nearly Rs 40.6 a liter at the depot after payment of excise duty, thus enabling a saving of Rs 8.1/liter on that replaced portion. Although the Group of Ministers under the Finance Minister, on April 6, endorsed Rs 27/liter price, it is yet to be cleared by the Union Cabinet. (Source: Business Line, 07/02/10 Business Line)

GOVERNMENT PROPOSAL TO REGULATE RETAIL SECTOR

At present, India does not allow foreign investment in multi-brand retail, while up to 51 percent is allowed in single brand retail. Foreign Direct investment (FDI) of up to 100 percent is allowed in wholesale cash-and-carry trade. The Ministry Of Consumer Affairs And Food has convened a meeting on July 8 in Delhi to discuss this and other proposals and chart a comprehensive plan for the retail sector, according to the agenda paper of the meeting. The meeting is also likely to take up for discussion a proposal to enact National Shopping Mall Regulation Act. It is proposed that environmental and urban laws be strictly enforced to limit multiplication of malls and corporate retailers in particular area, the meeting will also discuss whether there is a need to set up a national commission to study the problems of the retail sector. With pressure building on Indian government to further open the sector for FDI, the Commerce and Industry Ministry has prepared a concept note a few months ago to allow up to 51 percent FDI in multi brand retail other than primary goods, but with some riders. There have been fears that with a liberal FDI regime, the big global retailers would go in for predatory pricing, virtually destroying the small retailers. That is the reason why government has treaded cautiously in this sector. (Source: Business Standard, 07/01/2010 Business Standard)

COFFEE BOARD ESTIMATES RECORD CROP NEXT SEASON

The Coffee Board of India has estimated a bumper crop of 308,000 tons the next season starting November, up 6.35 per cent or 18,400 tons over the estimates of 289,000 tons made for this season. Of the 308,000 tons Robusta output has been pegged at 208,000 tons which is 13,500 tons higher than 2009-10 estimates and Arabica remaining 99,500 tons. In percentage terms, the increase amounts to 6.92 percent and 5.18 percent respectively for Robusta and Arabica. However, since the exact area of cultivation is not known, the estimate may turn out to be right by default. There have been pockets of attrition in Arabica, due to the white stem borer problem. Irrigated Robusta will do well but non-irrigated Robusta react very negatively to lack of rain. (Source: The Hindu, 07/01/2010 Business Line)

CAFÉ COFFEE DAY CONSIDERING FURTHER EXPANSION

Café Coffee Day (CCD), the coffee chain started by Bangalore based Amalgamated Bean Coffee Trading Company (ABCTCL), is contemplating further expansion in the domestic market even as it looks overseas for acquisitions to become global brand. The chain plans to invest US$ 32 million to increase its current retail strength of 970 stores to 1150 by the year end. The company claims that small towns and cities are posting good growth and at present contribute two-thirds of CCD’s total revenues. Seeing a large opportunity in non-metro cities, the coffee chain is rapidly expanding presence in cities such as Jamshedpur, Shillong, and Vishakhapatnam etc. CCD which has 16 outlets outside India is also eyeing foreign acquisitions. It recently acquired a Czech Republic headquartered coffee retail chain. In future, it will look at the Middle East and the Far East. (Source: Hindustan Times, 06/29/2010 Hindustan Times)

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